ANNUAL REPORT TO SHAREHOLDERS

For Fiscal Year
November 1, 1943 through October 31, 1944

The FLUOR CORPORATION Ltd.
2500 SOUTH ATLANTIC BOULEVARD
LOS ANGELES, CALIFORNIA
ON OCTOBER 31, 1944, your company completed another successful year of operations, during which further substantial contributions to the War Program were made. This year just past could well be considered as akin to our first postwar year, since our participation in the 100-Octane Aviation Gasoline Plant Program was virtually completed on January 1, 1944. As a result, our volume of completed contracts declined materially.

During the first nine (9) months of the fiscal year covered by this report the volume of engineering and construction business received was below normal, insofar as a satisfactory level of operations is concerned, but owing to a large carryover of business from 1943 and a sustained high sales level in our manufactured products, we ended the fiscal year with a reasonable profit. This profit, of course, was realized after having made substantial contributions to each of the two trust funds, and also the payment of employee bonuses in the full amounts paid in prior years.

Sales for the year, while not as high as those given in our last report, still indicate that we are making progress and participating to a satisfactory extent in the business available. I should like to point out that there is an enormous backlog of potential oil and refinery construction work being built up that awaits only the approval of and release by the War Production Board when the progress of the war so justifies. We believe that we will receive our full share of this potential business when it is released by the War Production Board.

Total sales figures covered by our annual report issued for the November 1942 through October 1943 fiscal year amounted to $12,000,000.00, and contracts and orders completed in that year amounted to $30,000,000.00. Comparative total sales for the year covered by this report amount to $13,500,000, and total contracts and orders completed amount to $15,500,000. A total of $3,000,000 of uncompleted contracts is being carried forward to 1945.
By reason of our reduced construction operations the investment in tools and equipment was held to a minimum, and only the necessary replacements were purchased. In view of this an intense program was instituted to systematically repair and maintain presently owned equipment so as to prolong its life and insure continued efficient performance.

Our Mid-Continent shops, located at Paola, Kansas, were further enlarged and equipment there augmented to facilitate production of our expanding muffler sales.

The Fluor Building in Kansas City, continues to be a profitable enterprise, in addition to taking care of the space required for our own operations in the Mid-Continent Division. All space in this building was practically 100% occupied during the year.

Due to a substantial reduction in profits for 1944 as compared to 1943, our net income did not reach the excess profits tax bracket therefore only 10 cents of each dollar earned was paid to the Federal Government for taxes.

Fifty cents (50c) of each gross income dollar was placed in the trust funds for the benefits of our employees. More than 60% of all employees are now participating in both trusts.

The decline in business operations in the second quarter made it necessary to temporarily discontinue contributions to these Trust Funds. However as of the date of this report, nominal contributions to each of these two Trust Funds have again been resumed, and such contributions hereafter will be continuous, providing the operations of your company result in a profit.

Twenty eight cents (28c) of each gross income dollar was set aside for depreciation of equipment and amortization of the emergency war facilities which we purchased during the past three years.

A change in your company's policy, as regards the payment of dividends, prevented any dividend payment in the fiscal year covered by this report. This change in policy provides that dividends in the future will be paid on a quarterly basis instead of in a lump-sum at the close of each fiscal year. Future reports will reflect dividends paid under this changed policy.

Set aside out of each dollar of gross income was twelve cents (12c) to provide for additional working capital for future operations.

Your Management is pleased to report that the company employees again generously supported the War Bond Program, and fully met their quotas in the Fifth and Sixth War Loan Drives as they have in the previous ones. This achievement brought us additional symbols for attachment to our Bull's-Eye Flag.

The two trust funds likewise are large purchasers of War Bonds over and above the amounts subscribed by the individual employees through salary deductions and by cash payments.

In line with a fixed and continuing policy several new important products were developed during the year. Among them was a new line of Air Cooled Mufflers which can be applied to all types of engines including those used in boats, trucks and busses. We feel that these will make an important contribution to our postwar activities in the sales of our manufactured products.

Another outstanding mechanical development created during this past year was our PULSATRON DAMPENER, which, from present inquiries and the general interest shown by the trade, should materially increase sales in the future.

Another product introduced in 1944, having wide application and great potential sales possibilities is our FINFAN HEAT EXCHANGE unit. It immediately created a general and favorable interest with the trade. This unit has application as an auxiliary to our present line of cooling towers, and where conditions are not favorable to the installation of a FLUOR COOLING TOWER.

In addition to the previously mentioned expansion at our Paola, Kansas, shops, we also found it advisable to install our own facilities there for the shop prefabrication of piping used on construction projects. With these added facilities we will be less dependent on the heretofore unreliable deliveries of outside fabricating shops.
Other new products are being perfected by our Development Department and should be ready for placing on the market early in 1945. This continuous research and development should assure us of a steady flow of new products and processes applicable to the oil, gas and related industries which we serve.

Touching again on sales, our AERATOR line of redwood cooling towers has maintained a remarkable sales volume; and, in this connection, we are adding an additional line of new wood products that we believe will, in postwar years, become equally important in sales volume as the cooling towers and will utilize a large portion of the scrap material which has previously been wasted.

Engineering and construction sales were exceptionally good during the last three months of this fiscal year giving us a backlog of contracts sufficient to keep us reasonably busy the greater part of 1945.

During the fiscal year just closed we announced with profound sorrow the passing of our beloved Founder and President, Mr. J. S. Fluor, Sr. His passing necessitated several changes in the officers and directors of your company as indicated at the end of this report.

In conclusion I can report to you that our active prospects for additional engineering and construction contracts, as well as sales of manufactured products, are better than at any time since 1942. We can therefore look ahead to another good business year from all fields in which we are engaged.

Respectfully yours,

P. E. Fluor

President

January 2, 1945